



FCC Policies, Public Media Ownership and Greater Service

Comments submitted April 2010 by Susan Harmon,
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I'm Susan Harmon, Managing Director of Public Radio Capital, and I want to begin with a story that illustrates what we do at PRC.

In 2000, Colorado Public Radio had one FM station in the Denver metropolitan area. It broadcast news and classical music and reached a 4.2 share of the radio audience every quarter hour. Then in 2001, Public Radio Capital helped Colorado buy an AM station – the only affordable option at that time for a second service. The AM station focused on news and information, the FM on music. CPR's average quarter hour audience jumped from about a 4 to over a 6 share. As a result, more revenue from listeners and businesses was generated and the quality and quantity of the local journalism and cultural content improved. In 2008, PRC helped Colorado buy a second noncommercial FM station so the organization could broadcast both formats – news and information and classical music – on the FM signals. With both formats on FM channels, the most recent audience survey shows a 6.3 share during an average quarter hour.

Qualitatively, Colorado Public Radio has improved on many levels beyond simply the metrics of audience: the board is more representative of leadership in Denver; the planning is now underway to test new programming on the AM station for younger, more diverse listeners; CPR has become a Denver cultural institution, comparable to the symphony and the art museum.

The story of Colorado Public Radio's expansion illustrates the core business of nonprofit Public Radio Capital over the past ten years –to acquire radio stations, harness them for public service and to secure capital for this purpose. I and Marc Hand, my co-founder and partner as Managing Director of PRC, who is also here today, have seen public media organizations assume financial risk and take on greater operating responsibility to add station outlets in pursuit of more public service for more people. Overall, PRC has completed transactions valued at more than \$230 million providing access to additional public media service for more than 43 million people.

We are convinced that FM radio, amplified with new media as parallel platforms for distribution and audience engagement, will be the focus for our field for decades to come. An integrated radio-Internet linkage is natural and necessary to better serve current and future public media consumers. Yet for the foreseeable future, radio rules. The overwhelming majority of public media audiences continue to connect through radio, with 94% of Americans over the age of 12 listening to radio on a weekly basis. The economic model is proven. At PRC we have deep confidence in radio. We believe our work in the areas of public radio expansion, ownership, leadership, financing, formats and operating models will provide enduring public service for years to come.

However, based on our experience, we see that the stand-alone radio station is no longer the best means for delivering the most service. We encourage the FCC to consider policies that nurture the development of strong locally-rooted public media companies which house multiple stations and have the resources to develop sophisticated web-based and social/mobile public media.

The scale to be achieved by these companies can, as in the case of Colorado Public Radio, provide the best noncommercial service for the largest number of users. We believe these strong public media institutions will be the best source of

new services that reflect the current demographics of a diverse, younger and tech savvy audience.

As we go forward with our PRC business, this unification of station groups – or mergers – to expand the scale and improve service will in some cases require management or programming agreements (generally referred to as “LMAs”), joint ventures between nonprofits, joint ventures between noncommercial and commercial entities, and a variety of ownership and operating structures that have not been commonly developed or seen in our field. We believe that FCC policies that help leverage current assets in these kinds of innovative configurations and collaborations will be those that yield the greatest public service to current and future audiences.

Important to this building of scale is the focus on local service and the development of diverse content for new audiences. While consolidation in the commercial media world held the promise of more diverse formats, the reality has been the opposite – more homogenized formats in markets around the country and less local content, news and public affairs. We believe that building scale for public media on a local level will bring the opposite of the results on the commercial side. The results will be more local content, increased local staff, and local institutions that bring new generations into public media, using radio and other new technologies.

Here are a few thoughts on regulatory requirements that impede or complicate the development of public media on a larger scale. Current interpretation of underwriting rules makes it virtually impossible to promote collaboration between a commercial entity and a non-profit, even if the nonprofit station gets most of the proceeds. The FCC has given almost no guidance on LMAs for noncommercial stations, and how those might be different from commercial LMAs. Guidance would make such agreements easier to negotiate

and implement, and less subject to *ad hoc* challenges. Treating digital sub-channels like LMAs, in which the licensee remains responsible for all content in the subchannel, will impede the development of HD radio and reduce the potential for diversifying content.

Now, let me turn to the issue of money. Last year, in a tight credit market, we helped North Texas Public Broadcasting in Dallas/Fort Worth complete one of the largest radio acquisition in 2009 by combining the resources of mission-based lenders including the FJC Foundation, the National Cooperative Bank and PRC's own Public Radio Fund, a dedicated media fund that we have assembled from social investing by foundations and individuals. This acquisition was the only major market radio deal financed in 2009. This station, which North Texas bought for \$18 million, now dramatically increases the scale of public media service in North Texas and has added a vibrant, locally-focused music format to the Dallas radio dial. Big projects like this depend on the availability of significant capital. We encourage the FCC to help explore a variety of options to bring more capital into the noncommercial media transaction environment.

Today, one of the greatest challenges to the future of public media service is that an increasing number of universities, such as Duquesne University in Pittsburgh and Miami University in Oxford, OH, are deciding to step out of ownership or operation of their public stations because universities can no longer support the station's operation. We expect sales of university and college stations to increase at a faster rate in the next few years as financial pressures on these institutions increase and as they, and the state and local organizations that have supported them, are forced to make difficult financial decisions.

Because credit is so tight, commercial stations are being traded at below market prices and could become the economic engines for building out public, noncommercial service through broadcast and on the web. In both of these

categories – the universities that will sell noncommercial stations and the commercial stations that will be available – access to capital is a tremendous challenge and critically important as a foundation for the expansion and preservation of public media service.

There are limits to what mission-based lenders can provide. We should look to opportunities for lending from agencies such as the Small Business Administration where loans to nonprofits could make all the difference (the SBA currently lends only to profit-making entities.) Further, we should be open to ways that investments typically connected with the commercial sector could help fuel the growth of public media.

One final point, in both arenas – unification of station groups and money – it would be useful if the FCC would take off the table for a long period of time the idea of repurposing radio spectrum. Radio is a different animal than television. Speculation about the potential loss of spectrum creates unnecessary anxiety about radio's future which, by all indicators, is strong and robust.